



The Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place, Room 901
Boston, Massachusetts 02108

MARTIN J. BENISON
COMPTROLLER

PHONE (617) 727-5000
FAX (617) 727-2163
INTERNET <http://www.mass.gov/osc>

M E M O R A N D U M

To: Chief Fiscal Officers
From: Martin J. Benison, Comptroller
Date: February 24, 2011
Subject: FY2012 Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY#2012-01

Executive Summary

The purpose of this memo is to advise departments of the fringe benefit and payroll tax rates **proposed** for FY2012.

The FY2012 fringe benefit rate proposal has been calculated at 33.25% for general employees and 40.62% for uniformed employees of regular compensation (salaries expended under object codes A01, A07, A09 and AA1). Additionally, the FY2012 payroll tax rate has been calculated at 1.91% of gross compensation for regular and contractual employees (salaries expended under AA and CC object codes). These rate proposals are being submitted to the U.S. Department of Health and Human Services for approval.

Although there is no guarantee that the Federal review agency will approve the rate as proposed, the calculation of these rates is consistent with the federally approved methodology used in prior years.

The fringe benefit rate will be used to assess the state's share of fringe benefit costs – health insurance, pensions and terminal leave salaries – on all Federal grant and other non-budgetary accounts. The payroll tax rate will assess Unemployment, Universal Health and the employer's share of the Medicare insurance to all budgetary and non-budgetary accounts incurring AA and CC salaries. Both rates will take effect beginning with Period 01, BFY2012 (July, 2011).

The assessment of fringe benefits on Federal funds is mandated by section 6B of Chapter 29 of the Massachusetts General Laws. Section 5D of the same law extends that assessment to all other funds of the Commonwealth except the General Fund. The Executive Office of Administration and Finance has promulgated regulations regarding fringe benefits under Administrative Bulletin No. 5 (A&F5), dated May 1, 2008, entitled *"Fringe Benefits, Payroll Taxes and Indirect Costs"*.

The assessment of payroll taxes is mandated by M.G.L. Chapter 151A, sections 14C and 14G for unemployment and universal health insurance, and M.G.L. Chapter 7A, sections 3, 7, and 8 for the Medicare insurance.

We will notify you of any adjustments due to legislative activity and once final approval is received from the Federal government.

Questions regarding this memo may be directed to Taneka Simmons at (617) 973-2606.

cc: MMARS Liaisons
 Payroll Directors
 General Counsels
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